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C O N F I D E N T I A L TAIPEI 001111

SIPDIS

DEPARTMENT FOR EAP/EX, OBO

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SUBJECT: TAIPEI MAYOR SUPPORTIVE OF NEW OFFICE COMPOUND
EXPANSION AND SAYS LOCAL ECONOMY ON THE REBOUND

Classified By: The Director for reasons 1.4 (b/d)

¶1. (C) Summary: The Taipei municipal government would ensure that land adjacent to the New Office Compound (NOC) site would be available should AIT want to expand the project, Mayor Hau Lung-bin told the Director at their introductory meeting on September 11. Hau said he already had stopped plans to build a local school on that property to "keep the door open" for expansion. The city economy, powered by tourism from mainland China and several major infrastructure projects, had a bright future, Hau predicted. The Mayor played down Taiwan media concerns over the H1N1 virus. He also expressed skepticism that the opposition Democratic Progressive Party would make major gains in December local elections. End summary.

MAYOR SUPPORTIVE OF NOC EXPANSION

¶2. (C) Director Stanton reminded Taipei Mayor Hau Lung-bin of AIT's longstanding interest in possibly acquiring land adjacent to the NOC in suburban Taipei for a number of potential future uses, including AIT residences or a language school. Hau said he already had blocked a local school project on the site to "keep the door open" for AIT expansion plans. While the city could not sell the land to AIT, a property exchange with the Taiwan government was possible. He urged the Director to be aggressive in arranging such a swap with the Ministry of Foreign Affairs, which he said was hesitant to take responsibility. The Director expressed his gratitude for the Mayor's foresight, noting the significance of the new compound as a symbol of friendship and cooperation between the peoples of the United States and Taiwan.

TAIPEI'S ECONOMIC FUTURE IS PROMISING

¶3. (C) Asked about Taipei's economic prospects, the Mayor said that while Taipei had yet to pull out of the economic doldrums caused by the global downturn, promising signs of a rebound included a fall in the city's unemployment rate, which had peaked in March at 4.3 percent. The Mayor said tourism from China and an ambitious infrastructure program that included a fine arts center, a music center and a major subway expansion, promised strong future growth. Newly inaugurated direct flights from China could bring an average of 3,000 Chinese tourists to Taipei daily, although for now the influx was down because of Beijing's displeasure over the Dalai Lama's visit to Taiwan in late August. Hau said he expected the flow of visitors from China would fully rebound in two to three months. The Mayor also noted that many mainland Chinese had come to Taipei to evaluate investment opportunities, although none had made a major commitment yet. One issue the Mayor said did not overly worry him was the H1N1 flu. He said his chief health advisor had told him the situation was not as serious as feared by local media, which

Hau blamed for scaring the local populace.

DESPITE KMT WOBBLES, LITTLE THREAT FROM THE DPP

14. (C) Hau, whose father was a Kuomintang (KMT) heavyweight and premier under former President Chiang Ching-kuo, said he did not see much chance of the opposition Democratic Progressive Party (DPP) making major gains in December local elections. Although the KMT government had come under harsh criticism for its typhoon response, Hau said the party should retain most if not all of the local offices it now holds and might even capture the magistracy of Pingtung County, an opposition stronghold. He acknowledged the KMT might lose the magistracy in Yilan County, where the KMT incumbent is unpopular, but he insisted an island-wide DPP landslide was "impossible."
STANTON